



THOMAS L. GARTHWAITE, M.D.
Director and Chief Medical Officer

FRED LEAF
Chief Operating Officer

COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
313 N. Figueroa, Los Angeles, CA 90012
(213) 240-8101

BOARD OF SUPERVISORS

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August 28, 2003

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

CLAIMS ADJUDICATION SERVICES AGREEMENT AMENDMENT
(All Districts) (3 Votes)

IT IS RECOMMENDED THAT YOUR BOARD:

Approve and instruct the Chairman to sign the attached Agreement Amendment No. 71048-3, with American Insurance Administrators ("AIA"), a fully-owned subsidiary of Management Applied Programming, Inc., for medical claims adjudication services for the Physician Services for Indigents Program ("PSIP"), Public/Private Partnership ("PPP") Program, and General Relief Health Care ("GRHC") Program, to extend the agreement effective October 1, 2003 through June 30, 2005, for a total maximum obligation of \$3,712,706, of which \$1,149,058 is offset by Medicaid Demonstration Project administrative reimbursement, \$1,414,590 is offset by California Healthcare for Indigents Program ("CHIP") and SB 612 administrative funds, and \$1,149,058 is net County cost.

PURPOSE/JUSTIFICATION OF THE RECOMMENDED ACTION:

In approving the recommended action, the Board is approving Agreement Amendment No. 71048-3 ("Amendment") for adjudication of medical claims submitted for indigent patients in the PSIP, PPP and GRHC Programs effective October 1, 2003 through June 30, 2005. This amendment aligns the term of the Agreement with the Medicaid Demonstration Project ("1115 Waiver"), PPP Program, and PSIP Program contracts. Since the 1115 Waiver, that partially offsets the costs of the PPP Program, expires on June 30, 2005, it could impact the level of service currently provided by AIA. Extending the AIA Agreement so its expiration is concurrent with the other Programs, allows the Department to gain efficiencies in its contracting process. This will also allow DHS to complete a competitive bid process at a more refined service level for the new term beginning July 1, 2005.

Amending the AIA agreement is in line with the Department of Health Services' (DHS or Department) Redesign Process of providing health care services to indigent individuals in a cost-effective manner. AIA has provided automated claims processing services under Chapter 2.121 et. seq., Contracting with Private Businesses (Prop A) since 1997.

Current County policy and guidelines require the timely submission of contracts for Board approval. However, this amendment was not scheduled for placement on the Board's agenda three weeks prior to its effective date since the Department was exploring the addition of another contract requirement for performance of a Medicare match for the PSIP Program. However, the process proved more complicated than originally thought and will be added, if appropriate, through a subsequent amendment to the agreement.

FISCAL IMPACT/FINANCING:

The cost of the Amendment is \$3,712,706. Fifty percent of the cost of adjudicating claims for the PPP and GRHC Programs (\$1,149,058) is offset by Medicaid Demonstration Project administrative reimbursement and 100% of the PSIP adjudication cost (\$1,414,590) is offset by CHIP and SB 612 administrative funds. The remaining funding for the Amendment (\$1,149,058) is net County cost.

For the period October 1, 2003 through June 30, 2004, the maximum obligation is \$1,674,283 and for the period of July 1, 2004 through June 30, 2005, the maximum obligation is \$2,038,423, for a total maximum obligation of \$3,712,706.

Funding for this Amendment is included in the Fiscal Year 2003-04 Adopted Budget and will be requested in future fiscal years.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

As a result of a Request for Proposal ("RFP") process, on September 30, 1997, the Board approved Agreement No. 71048 with AIA to provide medical claims processing services for various programs, including the PSIP, PPP and GRHC Programs. On June 15, 1999, the Board approved Amendment No. 71048-1 to the agreement which expanded adjudication services for dental, specialty, and primary care services. On September 17, 2002, the Board approved Amendment No. 71048-2 which: 1) extended the agreement effective September 30, 2002 through September 30, 2003; 2) added the Living Wage Ordinance; and 3) required compliance with HIPAA.

The Amendment continues the Director of Health Services' authority to terminate for convenience with a 30-day prior written notice.

DHS is recommending the Amendment as the most cost-effective way to continue the claims processing services for the three critical programs. It would require significant expenditures on the part of the Department to upgrade their equipment for the provision of automated claims processing. A competitive bid process will be implemented and completed with the revised description of services so that the selected contractor will be in place as of July 1, 2005.

The Honorable Board of Supervisors
August 28, 2002
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Attachment A provides additional information.

County Counsel has approved the Amendment (Exhibit I) as to use and form.

CONTRACTING PROCESS:

On March 31, 1997, DHS released an RFP for claims adjudication services under Proposition A guidelines. Six concept papers were received by the May 5, 1997 deadline. As a result of the RFP solicitation process, the evaluation committee selected AIA.

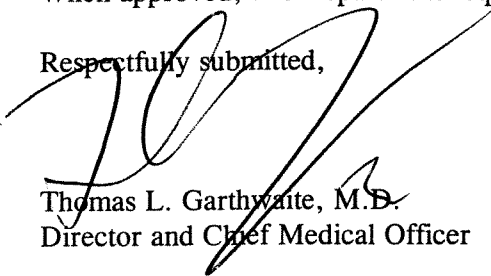
It is not necessary to advertise the Amendment on the Los Angeles County Online Web Site.

IMPACT ON CURRENT SERVICES (OR PROJECTS):

Board approval of this action will enable the Department to continue the reimbursement of the physicians in the PSIP program and the PPP and GRHC contractors.

When approved, this Department requires three signed copies of the Board's action.

Respectfully submitted,



Thomas L. Garthwaite, M.D.
Director and Chief Medical Officer

TLG:ds

Attachments (2)

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors

BLCDAIAAMD.DS
ds:08/19/03

SUMMARY OF AGREEMENT AMENDMENT1. Type of Service:

Adjudication of medical claims for indigent patients under the PSIP and the PPP and GRHC Programs.

2. Agency Address and Contact Person:

American Insurance Administrators
 3415 South Sepulveda Boulevard, Suite 200
 Los Angeles, CA 90034
 Contact Person: Herbert Schaffer, Executive Vice President
 Telephone: (310) 390-7900/Facsimile: (310) 398-6105

3. Term:

On September 30, 1997, the Board approved Agreement No. 71048. On June 15, 1999, the Board approved Amendment No. 1, with no change to the term. Amendment No. 2 extended the term through September 30, 2003. Amendment No. 3 will extend the term through June 30, 2005.

4. Financial Information:

	<u>COST</u>
PPP and GRHC Programs:	\$2,298,116
PSIP Program:	<u>\$1,414,590</u>
TOTAL COST:	\$3,712,706
Medicaid Dem. Proj. Admin. Reim:	< 1,149,058 >
SB 612/CHIP Admin. Funds:	<u>< 1,414,590 ></u>
Net County Cost:	\$1,149,058

5. Geographic Area to be Served:

Countywide

6. Accountable for Program Evaluation:

Director, Office of Ambulatory Care for the PPP and GRHC Programs
 Chief, Fiscal Services for the PSIP Program

7. Approvals:

Office of Ambulatory Care:	Ingrid Lamirault, Director
Fiscal Services:	Mark Corbet, Chief
Contracts and Grants Division:	Riley J. Austin, Acting Chief
County Counsel (as to form):	Sharon A. Reichman, Senior Deputy

EXHIBIT I

Contract No. 71048-3

CLAIMS PROCESSING PROGRAM SERVICES AGREEMENT

AMENDMENT NO. 3

THIS AMENDMENT is made and entered into this _____ day
of _____, 2003,

by and between

COUNTY OF LOS ANGELES (hereafter
"County"),

and

AMERICAN INSURANCE ADMINISTRATORS
(AIA), A SUBSIDIARY OF MANAGEMENT
APPLIED PROGRAMMING, INC.
(hereafter "Contractor").

WHEREAS, County and Contractor have entered into a written
agreement entitled, "CLAIMS PROCESSING PROGRAM SERVICES
AGREEMENT", dated September 30, 1997, and any amendments thereto,
further identified as County Agreement No. 71048 (all hereafter
"Agreement"); and

WHEREAS, it is the intent of the parties hereto to extend
the term and make other changes described hereinafter; and

WHEREAS, said Agreement provides that changes may be made in
the form of a written amendment which is formally approved and
executed by the parties;

NOW, THEREFORE, the parties hereto agree as follows:

1. This Amendment shall be effective October 1, 2003.

2. The first sentence of Agreement Paragraph 1, TERM, shall be revised to read as follows:

"1. TERM: The term of this Agreement is September 30, 1997 through June 30, 2005."

3. Agreement Paragraph 55, NOTICE TO EMPLOYEES REGARDING THE SAFELY SURRENDERED BABY LAW, shall be added to Agreement as follows:

"55. NOTICE TO EMPLOYEES REGARDING THE SAFELY SURRENDERED BABY LAW: The Contractor shall notify and provide to its employees, and shall require each subcontractor to notify and provide to its employees, a fact sheet regarding the Safely Surrendered Baby Law, its implementation in Los Angeles County, and where and how to safely surrender a baby. The fact sheet is set forth in Exhibit D of this contract and is also available on the Internet at www.babysafela.org for printing purposes."

4. Paragraph 56, CONTRACTOR'S ACKNOWLEDGMENT OF COUNTY'S COMMITMENT TO THE SAFELY SURRENDERED BABY LAW, shall be added to Agreement as follows:

"56. CONTRACTOR'S ACKNOWLEDGMENT OF COUNTY'S COMMITMENT TO THE SAFELY SURRENDERED BABY LAW: The Contractor acknowledges that the County places a high priority on the implementation of the Safely Surrendered Baby Law. The Contractor understands that it is the

County's policy to encourage all County Contractors to voluntarily post the County's "Safely Surrendered Baby Law" poster in a prominent position at the Contractor's place of business. The Contractor will also encourage its Subcontractors, if any, to post this poster in a prominent position in the Subcontractor's place of business. The County's Department of Children and Family Services will supply the Contractor with the poster to be used."

5. Except for the changes set forth hereinabove, Agreement shall not be changed in any other respect by this Amendment.

IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by its

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Chairman and the seal of said Board to be hereto affixed, and attested by the Executive Officer of the Board of Supervisors, thereof, and Contractor has caused this Amendment to be subscribed in its behalf by its duly authorized officer, the day, month, and year first above written.

COUNTY OF LOS ANGELES

Attest:
VIOLET VARONA-LUKENS,
Executive Officer of the
Board of Supervisors of the
COUNTY OF LOS ANGELES

By _____
Deputy

By _____
Chairman, Board of Supervisors

AMERICAN INSURANCE ADMINISTRATORS
(AIA), A SUBSIDIARY OF MANAGEMENT
APPLIED PROGRAMMING, INC.
Contractor

By _____
Signature

Print Name

Title _____
(AFFIX CORPORATE SEAL)

APPROVED AS TO FORM
BY THE OFFICE OF THE COUNTY COUNSEL
LLOYD W. PELLMAN
County Counsel

By _____
Deputy

APPROVED AS TO CONTRACT
ADMINISTRATION:

Department of Health Services

By _____
Acting Chief, Contracts
and Grants Division

APPROVED AS TO PROGRAM:

Department of Health Services

By _____
Thomas L. Garthwaite, M.D.
Director and Chief Medical Officer